

**PRESERVATION OF URBAN HISTORICAL AND CULTURAL SITES
(MONUMENTA PROGRAM)**

(BR-0261)

EXECUTIVE SUMMARY

**BORROWER AND
GUARANTOR:** The Federative Republic of Brazil

EXECUTING AGENCY: Ministry of Culture (MinC)

AMOUNT AND SOURCE: IDB: OC US\$62.5 million
Local counterpart funding US\$62.5 million
Total: US\$125.0 million

**OFINANCIAL
TERMS AND
CONDITIONS:** Amortization period: 20 years
Grace Period: 5 years
Disbursement period: 5 years
Interest rate: variable
Inspection and supervision: 1%
Credit fee: 0.75%
Currency: US\$ single currency facility unit

OBJECTIVES: The long term objectives (goals) of this program are (1) to preserve priority urban historical and cultural sites and (2) to increase the Brazilian populations' knowledge and appreciation of its heritage. The immediate objective of this program (purpose) is to increase the economic, cultural, and social use of restored areas.

DESCRIPTION: To attain the objectives, the program will include the following components:

1. Integrated investment programs in historic centers (US\$53.1 million). The program will finance investments necessary to increase the economic, social and cultural use of historic sites. These investments include (i) the restoration of historic buildings and the placement of interpretative signs, (ii) improvements to streets, sidewalks, and parking that increase access for economic or leisure use, (iii) lighting, landscaping, benches, and trash containers for public parks, and plazas to make them more pleasant and safe to visit, (iv) minor repairs to water supply, storm and sanitary sewers to make the areas more usable, and (v) targeted incentives to residents and businesses to repair the facade, roof, and structure of privately owned historic buildings.
2. Institutional strengthening (US\$7.4 million). The program will finance institutional strengthening for both Instituto do Patrimonio Histórico Artístico Nacional (IPHAN) and the

Ministry of Culture (MinC). For IPHAN, the outputs include an inventory and computerized data base for 20 declared urban historic centers; published norms on conservation of different types of materials in historic structures; and norms for adaptive use of heritage.

The outputs of the institutional strengthening of the MinC will be recommendations for structural changes to reduce the overlap of jurisdictions of federal, state, and municipal governments, proposals for decentralizing the management of heritage, criteria for declaring heritage protected at different levels, a system for setting priorities for investment, and recommendations to improve the focus of fiscal incentives.

3. Promotion of economic activities in historic centers (US\$7.0 million). The program will finance pilot activities to foster investment and involvement of private companies, residents, non-governmental organizations (NGOs), and other affinity groups in the economic use of urban heritage. The promotional campaigns, events and demonstration activities will be partially financed by contributions in cash or kind from private sector partners. The participating cities will compete for these resources, submitting proposals for activities and specifying the financial contribution of the private sponsors.
4. Training of skilled artisans (US\$7.4 million). The program will finance the training of instructors and 1,000 artisans in restoration techniques for carpenters, stone masons, blacksmiths, stonecutters, stucco workers, and painters.
5. Educational programs about Brazil's heritage (US\$19.1 million). The program will finance educational programs to inform the population about its historic and artistic heritage, its care, and its use. Four types of programs are envisaged: (i) Campaigns to promote awareness, conservation, investment in, and use of historic centers. These campaigns will appear on TV, radio, and press at the national, regional and local levels; (ii) 20 videos for elementary schools. To teach about history and heritage. These videos will be shown in the 60 thousand public closed circuit classrooms of Educational Television (TVE); (iii) 6 forty-six minute documentaries that emphasize different aspects of Brazil's historic, architectural, and artistic heritage. These programs will be made available without charge to broadcast and cable operators in the national market and Mercosul. In addition, video tapes will be made available for sale; and (iv) 5 short

introductory films for visitor centers in participating cities to explain the historic-artistic significance of the area, orient visitors, and encourage longer stays.

**ENVIRONMENTAL
AND SOCIAL REVIEW:**

The Executing Agency evaluated the social and environmental impacts of the projects in the sample in accordance with Committee of Environmental and Social Impact (CESI) recommendations.

Because the program targets existing urban centers, it is expected to have no significant adverse environmental and social impacts, other than resettlement. Resettlement is not expected to be a significant problem, however. A maximum of 52 families have been identified for temporary resettlement in the representative sample. No permanent resettlement has been identified, but could become necessary later if private owners upgrade rental properties. The program should have positive long-term impacts on cultural/historic resources and the environment caused by improvements to drainage and sewer systems, solid waste collection, street cleaning, revegetation and stabilization of slopes, and landscaping. Public education in historic preservation will reinforce the positive environmental impacts.

Adverse environmental impacts of the program will be minimal and temporary. They will be managed by standard environmental controls for construction. Other potential impacts of the program include increased traffic congestion in some historic centers, where congestion and parking problems already exist. Traffic studies of the projects in the sample have generated design changes that mitigate these impacts. The long-term social impacts of the program should be positive. The program will provide economic opportunities for residents of the historic centers. It will advance funds to low-income families so that they can adapt their homes for small scale commercial uses and remain in the area if they should choose to do so. Other project-specific mitigating measures will be identified in the environmental and social evaluation process.

BENEFITS:

The program has a number of benefits. It will preserve heritage for future generations. It will educate the population about its history and heritage and attempt to foster a national, rather than regional, consciousness. It will modernize the way the Minc administers the sector, making it more efficient and transparent, and improving its decisions on the allocation of resources. Finally, it will rehabilitate

a number of deteriorated urban centers for new economic uses.

RISKS:

This program implements a new system for the preservation of historical heritage. Being new, and coming at a time when Brazil is in a period of fiscal austerity and monetary repression, the program has significant risks. These risks are identified for each stage of program implementation in the Logical Frameworks. The most significant are that: (i) private participants (commercial and residential) may not invest in the area or may not make use of the funds provided to make the improvements targeted by the program; (ii) municipal legislators may divert the tax revenues assigned to the preservation Fund for other uses; and (iii) municipalities may not provide the level of services (maintenance of parks and public areas, trash collection, public lighting, traffic control, security, and enforcement of IPHAN's norms for protection of heritage) that they agree to in their contracts with the MinC.

These risks have been addressed in project design. To reduce the risk of low private participation, the sub-projects have been selected after public sessions with the community to discuss the problems to be resolved and assess interest in participation. Each project includes free media campaigns that provide publicity for participants. In addition, approved private projects may qualify for federal tax deductions.

The risks associated with municipal non-compliance are real and not completely avoidable. The Project Team investigated three possibilities: (1) earmarking revenues from property and service taxes for the Preservation Fund, (2) converting the grants to loans, each payment of which could be forgiven if the municipality upheld its obligations to transfer resources to the Preservation Fund and to provide adequate municipal services to the area, and (3) making municipalities guarantee compliance by pledging federal co-participation funds assigned to the municipalities. None of these actions turned out to be viable. Brazilian law prohibits earmarking of tax revenues because it interferes with the prerogatives of the legislature to allocate funds. The grants could not be turned into loans because the more important sites are in cities have no financial capacity to borrow. There is no way to enforce the pledge of co-participation funds. The Constitution prohibits the retention, or use of, resources assigned to municipalities, except to recover a pre-existing debt owed by the municipality to the Union. The proposed operation is not a loan to the municipalities and does not give rise to a debt. The Program therefore addresses the risks of municipal non-compliance by mobilizing stakeholders to care for heritage and to be its advocate through the political process. The Program does this (1) through education

and campaigns, (2) by giving the private sector (voters) a stake in the success of project areas, and (3) by putting articulate, interested citizens on the Council of the Preservation Fund to lobby the municipal government and alert the media and the public if municipal governments do not comply. These techniques are new to historic preservation, but have had success in the area of environmental protection.

**POVERTY TARGETING
AND SOCIAL SECTOR
CLASSIFICATION:**

This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (Document AB-1704) Furthermore, this operation does not qualify as Poverty Targeted Investment (PTI), (see ¶ 2.22). The borrowing country will not be using the 10 percentage points in additional financing.

PROCUREMENT:

Procurement of goods, works and related services (specified in the Procurement Plan, Annex III-1) will be subject to the Bidding Procedures specified in Annex B and C of the Loan Contract. When the estimated value of goods and services is the equivalent of three hundred fifty thousand dollars (US\$350,000) or greater, and the estimated value of works is the equivalent of five million dollars (US\$5,000,000) or greater, the goods, services and works will be subject to international competitive bidding as specified in Annex B. Consulting services will be contracted in accordance with Annex C of the contract. All consulting contracts with amounts equivalent to two hundred thousand dollars (US\$200,000) will be subject to international competitive bidding.

**EXCEPTIONS TO
BANK POLICY:**

No exceptions to Bank policy are recommended.

**THE BANK'S
COUNTRY AND
SECTOR STRATEGY:**

This program is a first step in the modernization of the way IPHAN and the MinC preserve historical and cultural sites. It was developed in cooperation with the United Nations Educational, Scientific and Cultural Organization (UNESCO) which provided financial support to the MinC and technical advice.

The proposed program is consistent with Bank's strategy to support reform and modernization of the public sector. The program focuses on changing the strategy for preserving heritage to make it more effective. Through institutional strengthening the program helps systematize and make transparent the way the sector makes decisions on urban preservation projects. It sets up a rigorous inventory and classification system and establishes a system for assigning priorities for intervention. The program also finances a review of the organization of the sector to reduce overlapping jurisdictions, to encourage more participation of state and municipal

governments, civil society, and the private sector, and to make tax incentives more cost-effective. The program emphasizes education with public awareness campaigns, education about heritage, and training skilled artisans. Finally it finances model programs to show how urban redevelopment and heritage can work together to revitalize urban areas and make heritage sustainable.

The proposed program is consistent with the sectoral strategy for conservation of urban heritage. It focuses on (i) a more rational allocation of public resources devoted to conservation to increase their impact, and (ii) the transfer of part of the effort to other social actors with the intention of attracting private sector management and investment and improving the prospects for sustainability.

The Bank's strategy and operative program for Brazil in the 1998-00 programming cycle are fully consistent with the objectives of the Eighth Replenishment, the government's focus on systematically eliminating the causes (and easing some of the social consequences) of chronic inflation, and the need to foster economic modernization.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Prior to first disbursement, the contract will require

(i) evidence of implementation of the program's Operating Regulations prepared according to the version agreed with the Bank (see ¶ 3.13);

(ii) evidence of the creation of a Central Management Unit (CMU) with appropriate staff and resources (including an environmental/social specialist to oversee the environmental and social management of the Program (see ¶ 3.7);

(iii) a copy of a signed contract between the Executor and the Financial Agent stipulating the creation of a special account for the resources of the Program, the procedures for paying suppliers and contractors, and procedures for disbursing to private owners who are restoring and adapting buildings in historic areas (see ¶ 3.18);

(iv) the Operating Program for the first year and agreement to present an Annual Operating Plan for each subsequent year (see ¶ 3.36);

(v) the chart of accounts to be used for the financial management of the CMU, the contract appointing an independent auditor for the CMU, and a model of the chart of accounts to be adopted by each municipality for its accounting (see ¶ 3.38).

(i) Each executor and sub-executor will submit standard bidding documents for the Bank's preliminary review; documentation for the first 20% of

**OTHER SPECIAL
CLAUSES:**

expenditures for each project, and any documents that deviate from standard bidding documents (see ¶ 3.24);

(ii) Prior to disbursement of funds for the purchase of time or space in communications media, the executor will submit for prior approval: (1) the original media plan prepared by the publicity agency, (2) the media plan approved by MinC, and (3) the final media plan approved by the Secretaria de Estado de Comunicação (see ¶ 3.27);

(iii) The executor will submit for approval by the Bank a revised list of priority projects based on a methodology acceptable to the Bank before the preparation of projects that are not included in the representative sample (see ¶ 2.18);

(iv) The executor will submit to the Bank for review and approval all feasibility studies of projects not in the representative sample before they are eligible for disbursement (see ¶ 3.17);

(v) During the execution of the Program, the Executor will present to the Bank, within the first 90 days of each calendar year, an Annual Report on the progress achieved in implementation and achievement of targets and agreed indicators of impact (see ¶ 3.36);

(vi) During the execution of the Program, the Executor and the Bank will meet within 30 days of the presentation of the Annual Report to examine (1) the progress achieved in the implementation of the Annual Operating Plan and (2) the Annual Operating Plan of the next year and the indicators to be achieved. If review of the Annual Report and field inspection reveal that the indicators specified have not been achieved, the Executor will present to the Bank, within 60 days, the corrective measures it intends to adopt to adjust the schedule and budget of the Program (see ¶ 3.36);

(vii) The executor will carry out an ex-post evaluation of the projects and institutional strengthening five years after last disbursement (see ¶ 3.48).